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Annual Report **1963**



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**HOOKER** CHEMICAL  
CORPORATION

Directors

F. LEONARD BRYANT, *Chairman*  
ROBERT W. ENGLEHART  
WERNER P. GULLANDER  
R. WOLCOTT HOOKER  
CHARLES C. HORNBOSTEL  
HAL A. KROEGER  
CLINTON S. LUTKINS  
THOMAS E. MOFFITT  
ROBERT H. STRANGE  
ROBERT E. WILKIN  
THOMAS F. WILLERS

Officers

F. LEONARD BRYANT, *Chairman and Chief Executive Officer*  
THOMAS F. WILLERS, *President*  
JAMES G. BALDWIN, *Vice President*  
JOHN S. COEY, *Vice President*  
ROBERT W. ENGLEHART, *Vice President*  
CHARLES C. HORNBOSTEL, *Vice President-Finance*  
ROBERT F. SCHULTZ, *Vice President*  
JAY C. SEARER, *Vice President*  
ROGER C. SONNEMANN, *Vice President-Industrial and Public Relations*  
CLARENCE A. STIEGMAN, *Vice President-Research and Development*  
ANSLEY WILCOX 2ND, *Vice President and Secretary*  
EDWARD W. MATHIAS, *Treasurer*  
A. RICHARD PERRY, *Controller*  
DOUGLAS MCL. MORE, *General Counsel*

Transfer Agent

Chemical Bank New York Trust Company,  
New York, N. Y.

Registrar

The Chase Manhattan Bank,  
New York, N. Y.

Preferred & Common Stock Listings

New York Stock Exchange

# 1963

## Annual Report

HOOKER CHEMICAL  
CORPORATION

666 Fifth Avenue    New York    New York 10019

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*The Annual Meeting of the Stockholders  
of the Company will be held at 10:30 A.M.,  
Eastern Standard Time, on Wednesday,  
March 18, 1964, at the office of  
Chemical Bank New York Trust Company,  
Madison Avenue at 59th Street, New York, N.Y.  
We hope you will be able to attend.*

Thomas F. Willers, President (*standing*)  
and F. Leonard Bryant, Chairman.



## Financial Highlights

	1963	1962
	— (000 Omitted) —	
Net Sales . . . . .	\$182,741	\$179,176
Income before Income Taxes . . . . .	31,469	30,021
Federal and Foreign Income Taxes . . . . .	15,604	14,955
Net Income . . . . .	15,865	15,066
Cash Dividends Paid		
Preferred Stock . . . . .	434	378
Common Stock . . . . .	8,419	7,879
Working Capital . . . . .	58,719	53,940
Capital Invested in New and Improved Facilities . . . . .	15,145	15,812
Depreciation . . . . .	12,151	11,261
— Per Share of Common Stock —		
Earnings . . . . .	\$1.88	\$1.79
Dividends:		
Cash . . . . .	\$1.025	\$1.00
Stock . . . . .	2%	2%
Cash Flow . . . . .	\$3.98	\$3.67

## To Our Shareholders:

This has been a year of growth and progress. The sales total of \$182,741,000, 2% above 1962, set a new record for the second consecutive year. Net earnings increased 5% and reached an all time level of \$15,865,000, equal to \$1.88 per common share compared with \$1.79 last year, based on the total current shares outstanding.

The record sales stemmed primarily from a sustained demand for our products in a good economy, although the price index for our chemicals was lower. The higher earnings resulted from increased volume, better operating efficiencies, technological improvements, and unrelenting attention to cost reduction throughout the Company.

In recognition of continuing profit improvement, the Board of Directors increased the quarterly common dividend by 10% in the fourth quarter of the year. In addition, a 2% stock dividend, paid in December, 1963, was declared for the second consecutive year.

Supporting our plans for growth during the past year were the completion of an activated carbon plant in Mexico and a jointly-owned phenol plant in Argentina; expansion of facilities to produce phosphoric acid in Dallas, Texas, chlorine-caustic in Montague, Michigan, and sodium chlorate in Columbus, Mississippi; construction of substantial modern warehousing facilities for the Durez Plastics Division; and enlarged laboratories in Detroit, Michigan, to improve service to customers of the Parker Rust Proof Division.

Also during 1963 we announced appropriations for a new multi-million dollar fine chemical facility in Niagara Falls, a second chlor-alkali plant in British Columbia, a new dicalcium phosphate plant in Iowa, and an expansion of our ammonium perchlorate installation in Mississippi, the latter to supply the rapidly growing space and missile program. All are scheduled for completion in 1964.

These were some of the 1963 milestones marking the progress of a long-range plan that began with a significant alteration in the nature of our business less than a decade ago. A series of profitable acquisitions, followed by a high level of capital expenditures and fruitful research activities, has allowed your management to reduce its dependence on heavy chemicals, particularly in the chlor-alkali category.

Our product line has been broadened to include plastics and resins, phosphates, agricultural chemicals, metal treating materials and diverse specialty products. Equally important, Hooker has strengthened its competitive position in its traditional markets by expanding basic productive capacity and reducing manufacturing costs.

In keeping with objectives to broaden our base and diversify into related product lines, the Company expects to acquire a 90% interest in National Phosphate Corporation early in 1964. National Phosphate is an important producer of the rapidly growing fertilizer, diammonium phosphate. This acquisition is expected to add materially to our sales and earnings now and in the future, and to provide a spring-board for further growth in the plant foods industry.

Results of our planning to date are real and encouraging: every Hooker plant and division is profitable; the improvement in our basic raw material position has been completed on schedule; our marketing program has been revamped in keeping with customer needs and competitive pressures; product lines have been streamlined and expanded; and the gate to a more profitable future has been opened wider through a better balanced research effort, directed and controlled by corporate objectives.

Recent progress throughout the Company holds promise for the future. The chemicals we manufacture, new and old, are expected to find wider applications in an ever-increasing number of industries. The demonstrated capabilities of the Company are now approaching maximum potential and give encouraging evidence that 1964 will be a year of accelerated growth and progress.

Your Company enters the new year with confidence in the basic strength of the American economy, in the support of its shareholders, and in the loyal effort of its employees.

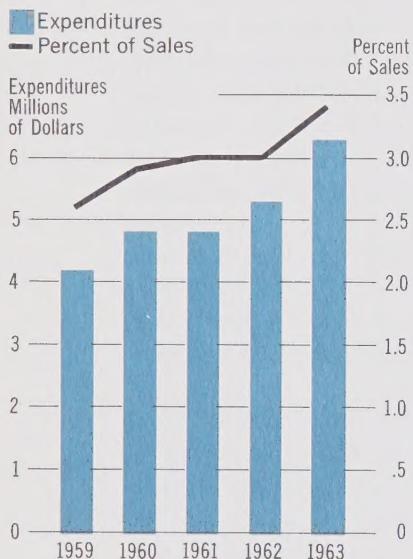
For the Board of Directors,

  
F. L. Bryant  
Chairman

  
K. Wilkes  
President

January 28, 1964

## Research and Development Expenditures



# Review of Operations

## Research

CLARENCE A. STIEGMAN, *Vice President – Research and Development*

The Corporate Research and Development program for 1963 maintained a good balance between exploratory and application research, on the one hand, and research directed toward the improvement of existing products and processes on the other.

During the year, considerable attention was devoted to the general area of fire retardance and significant progress was made with Dechlorane<sup>(R)</sup> as an additive to plastics and with THPC<sup>(R)</sup> in treating paper and wood.

Agricultural chemicals were of major importance in our 1963 program. Several promising new insecticides are being screened extensively, while a number of new herbicides, fungicides and nematocides are in the earlier stages of evaluation. Progress was also made in the area of controlling plant diseases.

Polymer research similarly received substantial emphasis. Our search for new monomers, new molding compounds and chemical resistant coatings resulted in novel crosslinking agents for some of the newer elastomers and polymers, a new epoxy resin modifier, and polyurethane and polyester coatings. Organophosphorus research has produced a series of interesting polymer intermediates and a variety of new structures with unique properties. Work has continued on new chlorinated solvents as well as on novel paints, lacquers and other surface coating systems.

Commercial processes, developed in Research for six new products, will be incorporated in the recently approved fine chemicals plant of the Eastern Chemical Division. In addition, two major facilities were replaced with new processes of our own design, resulting in significantly lower operating costs.

The new semi-commercial facility has operated at capacity throughout the year turning out agricultural chemicals, chemical intermediates, fire retardant additives and resin stabilizers.

Other important projects included the chemical brightening of aluminum, improvement of water-treating chemicals, process work on ammonium perchlorate for rocket propellant use, and improved products for unhairing hides.

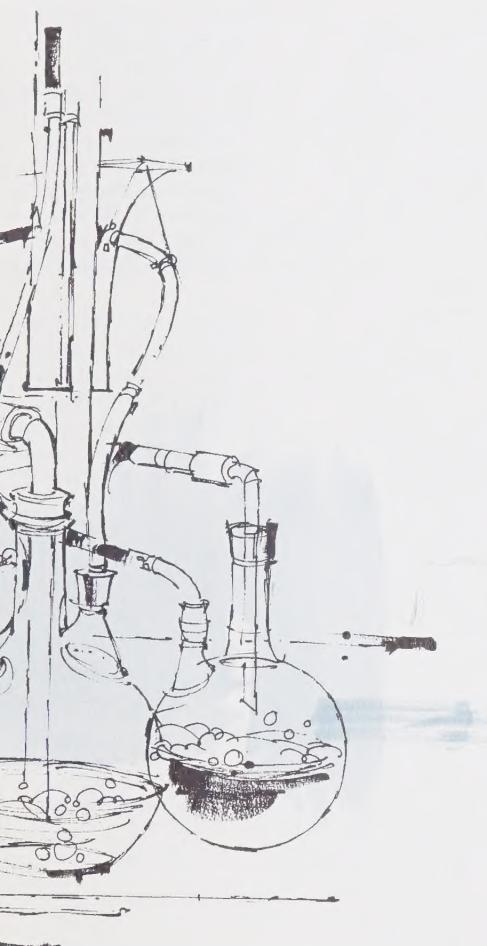
This widely diversified program promises an increased flow of important new Hooker products in the years ahead.

## Eastern Chemical Division

JOHN S. COEY, *General Manager*

The continued high level of business activity during the past year resulted in sales for the division that were slightly above 1962. Increased price competition in some basic chemicals was cushioned somewhat by cost-saving improvements in our manufacturing facilities.

At Niagara Falls, our new thionyl chloride plant completed its first full year of operation with satisfactory results. A new plant for the production of fused grades of caustic potash also came into production and is performing well.



Approved during the year was the construction of a new hydrogen chloride recovery unit which will improve recovery efficiency, reduce costs and provide better quality and customer service. In addition, an expanded benzoyl chloride plant was authorized in order to meet the growing demand for this chemical. Both of these plants will be completed in 1964.

Agricultural products in the division sold well during 1963. A rapid increase in demand supported our decision to build a new multi-purpose facility which is expected to be completed later this year. In addition to agricultural chemicals with an immediate market demand, this same commercial plant is expected to be used to produce a continuous flow of new market development products from Research.

We are continuing to emphasize chemicals for flame-proofing. One of our major new products, THPC, and a patented system using THPC for flame-proofing cotton and rayon fabrics, is now being used commercially by the textile industry. It is expected that this material will find wide usage in textiles supplied to hospitals, institutions and hotels as well as for military garments, work clothing and tent canvases. Another chemical, Dechlorane, has proven successful for making thermoplastic resins fire resistant.

At our Montague plant, the new hydrogen chloride recovery system operated for its first full year and produced outstanding results. A small expansion was authorized and completed to increase chlorine and caustic soda production. Also, modernization of the rectifiers improved the over-all efficiency of plant operations.

The division currently is engineering and will install shortly new manufacturing facilities to produce a family of chlorobenzotrifluoride products at Niagara Falls. These products have substantial potential sales volumes as intermediates in the manufacture of several very promising herbicides, bactericides, and related chemicals.

The sale of chemicals to the pulp and paper industry is one of Hooker's major business areas. Our new pulp and paper laboratory at Niagara Falls and expanded sales and technical service representation in the field enabled us to provide improved pulp-bleaching technology to our customers and to strengthen our sales position in these chemicals.

## Western Chemical Division

CHARLES Y. CAIN, *General Manager*

Following the trend of recent years, the Western Chemical Division achieved a record sales volume in 1963. All product lines of the division showed growth in comparison with 1962.

The continuing expansion of the pulp and paper industry, particularly in western Canada, resulted in enlarged requirements for chlorine and caustic soda. The sizeable increased demand for these pulp-bleaching and purification

### Eastern Product Areas

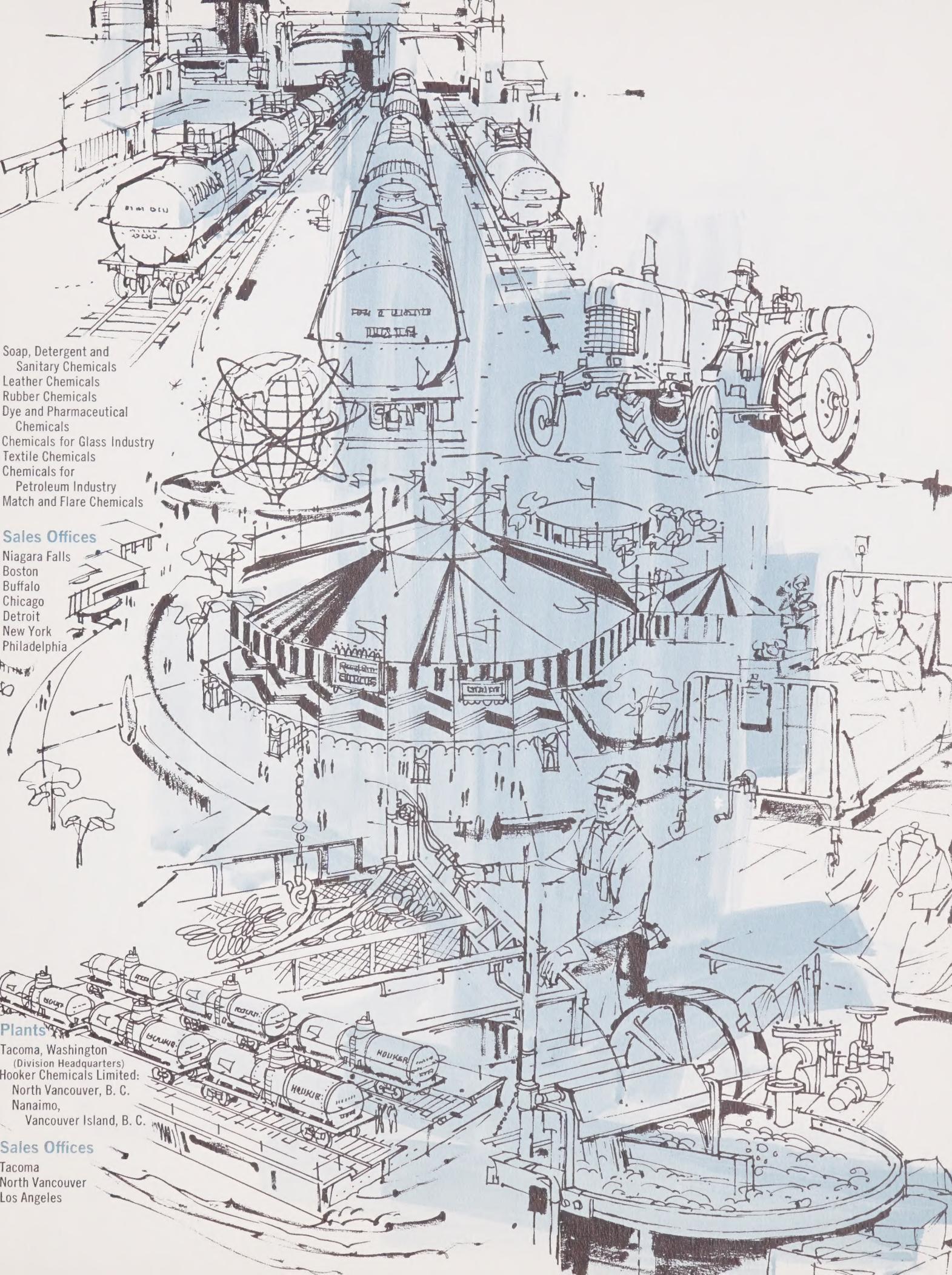
Pulp and Paper Chemicals  
Industrial Chemicals  
and Intermediates  
Insecticides and Weed Killers  
Flameproofing Chemicals  
and Processes  
Intermediates for  
Agricultural Chemicals  
Metal Cleaning and  
Finishing Chemicals  
Dry Cleaning Chemicals

### Plants

Niagara Falls, N. Y.  
(Division Headquarters)  
Columbus, Mississippi  
Montague, Michigan

### Western Product Areas

Pulp and  
Paper Chemicals  
Industrial Inorganic  
Chemicals  
Metal Cleaning  
Chemicals  
Dry Cleaning Chemicals  
Nitrogen Fertilizer  
Chemicals



Soap, Detergent and  
Sanitary Chemicals  
Leather Chemicals  
Rubber Chemicals  
Dye and Pharmaceutical  
Chemicals  
Chemicals for Glass Industry  
Textile Chemicals  
Chemicals for  
Petroleum Industry  
Match and Flare Chemicals

**Sales Offices**

Niagara Falls  
Boston  
Buffalo  
Chicago  
Detroit  
New York  
Philadelphia

ATLANTA

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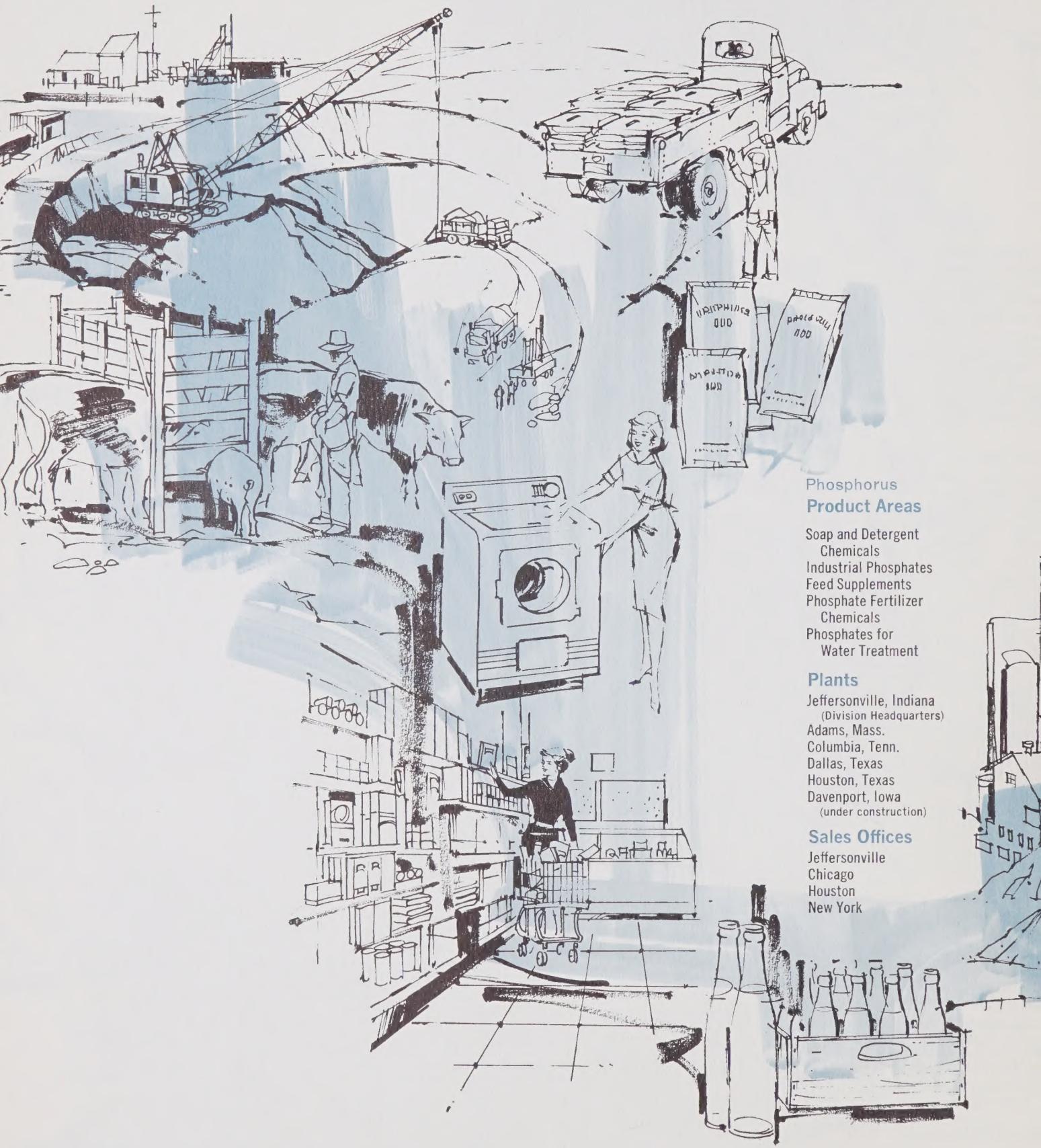
ATLANTA

**Plants**

Tacoma, Washington  
(Division Headquarters)  
Hooker Chemicals Limited:  
North Vancouver, B. C.  
Nanaimo,  
Vancouver Island, B. C.

**Sales Offices**

Tacoma  
North Vancouver  
Los Angeles



### Phosphorus Product Areas

Soap and Detergent  
Chemicals  
Industrial Phosphates  
Feed Supplements  
Phosphate Fertilizer  
Chemicals  
Phosphates for  
Water Treatment

### Plants

Jeffersonville, Indiana  
(Division Headquarters)  
Adams, Mass.  
Columbia, Tenn.  
Dallas, Texas  
Houston, Texas  
Davenport, Iowa  
(under construction)

### Sales Offices

Jeffersonville  
Chicago  
Houston  
New York



chemicals brought the opportunity to expand production capabilities. Following the expansion in late 1962 of our plant in North Vancouver, British Columbia, construction was started in the spring of 1963 on a new chlor-alkali plant on Vancouver Island near Nanaimo. This plant will be in operation during February of 1964. Our ability to serve our many important customers has been improved through the installation of new production facilities located in what will now be three major electrochemical plants in this area.

The division continues to emphasize a total service program to the pulp industry. Our record remains one of prompt and efficient delivery of chemicals to our customers' bleach plants. Of equal importance to our customers is our expanded technical service program, combining valuable studies in our Tacoma laboratory with in-the-bleach-plant technical service and engineering assistance.

The ammonia manufacturing facilities at Tacoma operated at capacity during 1963 and our marketing program to the agricultural industry of the Pacific Northwest, undertaken three years ago, has been gratifying in its results.

The demand for chlorinated solvents has remained at near-capacity level. Although an extremely competitive situation exists in the market for both trichloroethylene and perchloroethylene, we look forward to improved earnings on these products over the next few years.

Several major new-product lines for the division are currently under active evaluation. The expectation that these will become commercial realities, coupled with the enthusiasm we have for continued growth in the marketing of pulp-bleaching chemicals, results in an optimistic forecast of the future of the division. While the markets that we serve are highly competitive ones, the strong underlying growth factors continue to support this optimism.

## Phosphorus Division

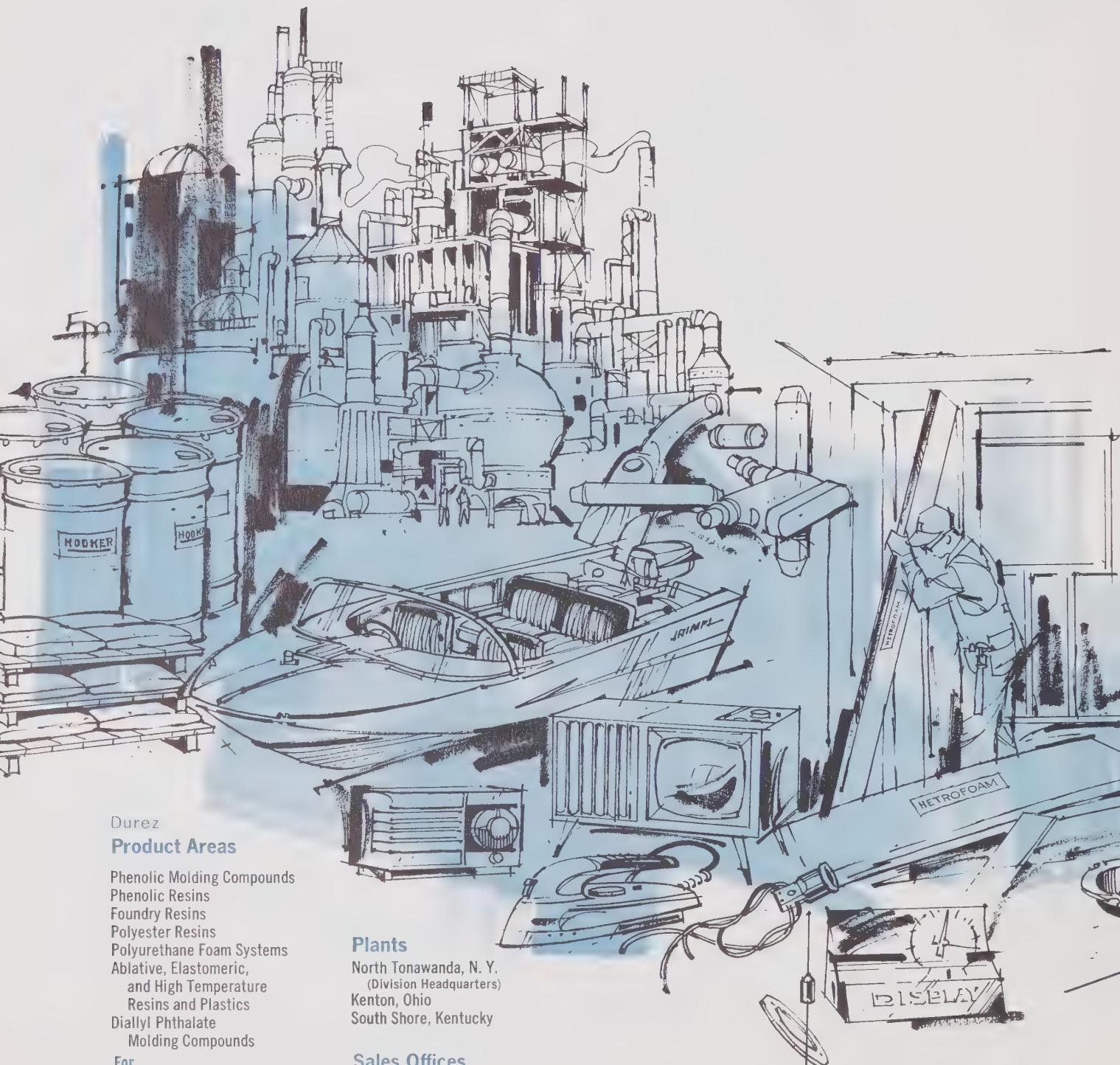
ROBERT F. SCHULTZ, *General Manager*

There was improvement in the operating performance and results achieved in the Phosphorus Division in 1963.

Sales were virtually unchanged, with decreases in prices in international markets virtually offsetting increases in domestic volume. Prices were more stable this year, in contrast to the steady erosion of selling prices most of our products experienced in the 1960-1962 period.

The operating problems, which accompanied the start-up of our third electric furnace and related equipment at Columbia, Tennessee in 1962, were substantially solved by midyear. The resulting increased phosphorus production and lower unit costs made possible a modest increase in earnings over 1962. An aggressive and continuing cost reduction program at all plants in the division also contributed to better earnings.

A study of the growing market for animal and poultry feed supplements resulted in the announced plan to build a plant near Davenport, Iowa. The new facility, which initially will produce dicalcium phosphate, is located on the



**Durez  
Product Areas**

Phenolic Molding Compounds  
Phenolic Resins  
Foundry Resins  
Polyester Resins  
Polyurethane Foam Systems  
Ablative, Elastomeric,  
and High Temperature  
Resins and Plastics  
Diallyl Phthalate  
Molding Compounds

**For**

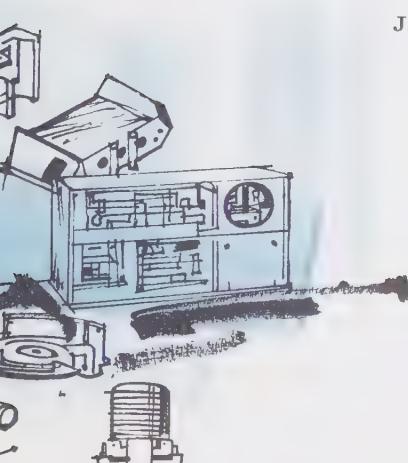
Bonding  
Foam Insulation  
Engineering Applications  
Structural Applications  
Molded Products  
Aerospace Applications

**Plants**

North Tonawanda, N. Y.  
(Division Headquarters)  
Kenton, Ohio  
South Shore, Kentucky

**Sales Offices**

North Tonawanda  
Chicago  
Dayton  
Detroit  
Los Angeles  
New York



Mississippi River and has convenient access by water, rail, and truck transportation to the growing midwest manufactured feeds industry. Ground was broken in early November and production is expected to begin in the second quarter of 1964. Its output will augment current feed supplement production at Houston, Texas and Columbia, Tennessee.

The second phosphoric acid plant in Dallas, Texas, approved in late 1962, was completed on schedule and was placed in operation during March, 1963. This new unit insures an adequate phosphoric acid supply for the foreseeable future.

There is every indication that division sales volume will increase substantially in 1964. Use of industrial phosphates in water softeners, detergents and cleaning compounds is expected to continue to grow. We do not expect the change to biodegradable detergents to alter materially the phosphate requirements of the growing detergent industry.

Although we expect a continued increase in a number of costs, the anticipated sales increase, combined with improved production costs and a continuing profit improvement effort, should enable the division to make a greater contribution to corporate earnings in 1964.

## Durez Plastics Division

JAMES W. FERGUSON, *General Manager*

1963 was another good year for the Durez Plastics Division. Sales exceeded the record year of 1962 but, due to price weakness in some areas, earnings did not show an equivalent increase. All product lines contributed to the record sales; foundry resins were particularly strong, as were Hetron<sup>(R)</sup> polyesters which are finding broad acceptance in corrosion-resistant production equipment and fire retardant molded products.

With business expected to continue at a high level, the division looks forward to even greater sales and earnings in 1964. Manufacturing facilities have been modified and expanded to increase capacity and to improve quality and service to customers. The warehouse additions at both the North Tonawanda and Kenton plants are completed and experience during the last half of 1963 has shown that this centralized warehousing program will provide improved customer service at an appreciable reduction in distribution costs. The new phenol plant at South Shore, Kentucky completed its first year of operation and strengthened our position in this important, basic raw material.

During the first year of marketing, the new polyol for rigid urethane foam, Hetrofoam,<sup>(R)</sup> made very encouraging inroads into such important markets as construction, transportation and appliances. Outstanding insulation properties with inherent and permanent fire retardance make such rigid foams attractive for other applications which are being investigated.

Other product lines have been strengthened through the new and improved products developed by division and corporate technical groups. A few of the

more promising products are molding compounds for encapsulating purposes, diallyl phthalate compounds with exceptional dimensional stability and electrical properties, and several new foundry resins to meet the changing demands of this industry. These new products, coupled with other large potential applications, forecast continuing profitable growth for the division.

Additional manufacturing facilities are being planned to keep pace with increased demand for our products and to maintain our competitive position.

### Parker Rust Proof Division

EDWARD B. THOMPSON, *General Manager*

In 1963 the Parker Rust Proof Division achieved new highs in both sales and earnings. This new record was made possible in part by the high production levels in the automotive and major appliance industries, but more importantly by the progress made in the divisional research effort and by improvements in our marketing programs.

During the year new laboratory facilities were completed in Detroit, giving Parker the most complete and modern technical facilities in the metal conversion-coating industry. With these facilities, our technical people have been able to develop the products and the processes needed to maintain and to improve our position in the market place, as well as to help our customers solve their technical problems more effectively.

The division has earned a strong market position in the conversion coating of metal surfaces by chemical treatment. A broad line of Parker treatments is now available to provide a permanent, adherent base for paint or other surface finish; to improve the wear characteristics of bearing surfaces; to protect against rust and corrosion; or to provide formability for cold forming operations. Finishes are available for treating ferrous and non-ferrous metals of all kinds or for treating combinations of various metals in the same process, at the same time. Parts or finished articles may be treated, or metal sheet and strip may be treated and painted for subsequent forming and fabrication into finished products. Our technical service to customers keeps Parker processes operating with complete reliability, and even extends to the design and construction of process equipment to apply Parker coatings.

During 1963 we enlarged our equipment shop facilities at Detroit to enable us to do a better job of producing this specialized equipment for our customers. In the marketing of cold-forming conversion coatings, technical service extends to the designing of dies and tooling. Parker's strong marketing position is based on the ability to provide these highly specialized metal treating processes, together with the technical service capability to assure that these processes will operate continuously and reliably in mass-production, automated processes.

With this marketing approach applied to both existing products and to the new products and processes emerging from our laboratories, we are confident we can meet increasingly competitive market conditions and make further progress in sales and earnings in 1964.



Parker

### Product Areas

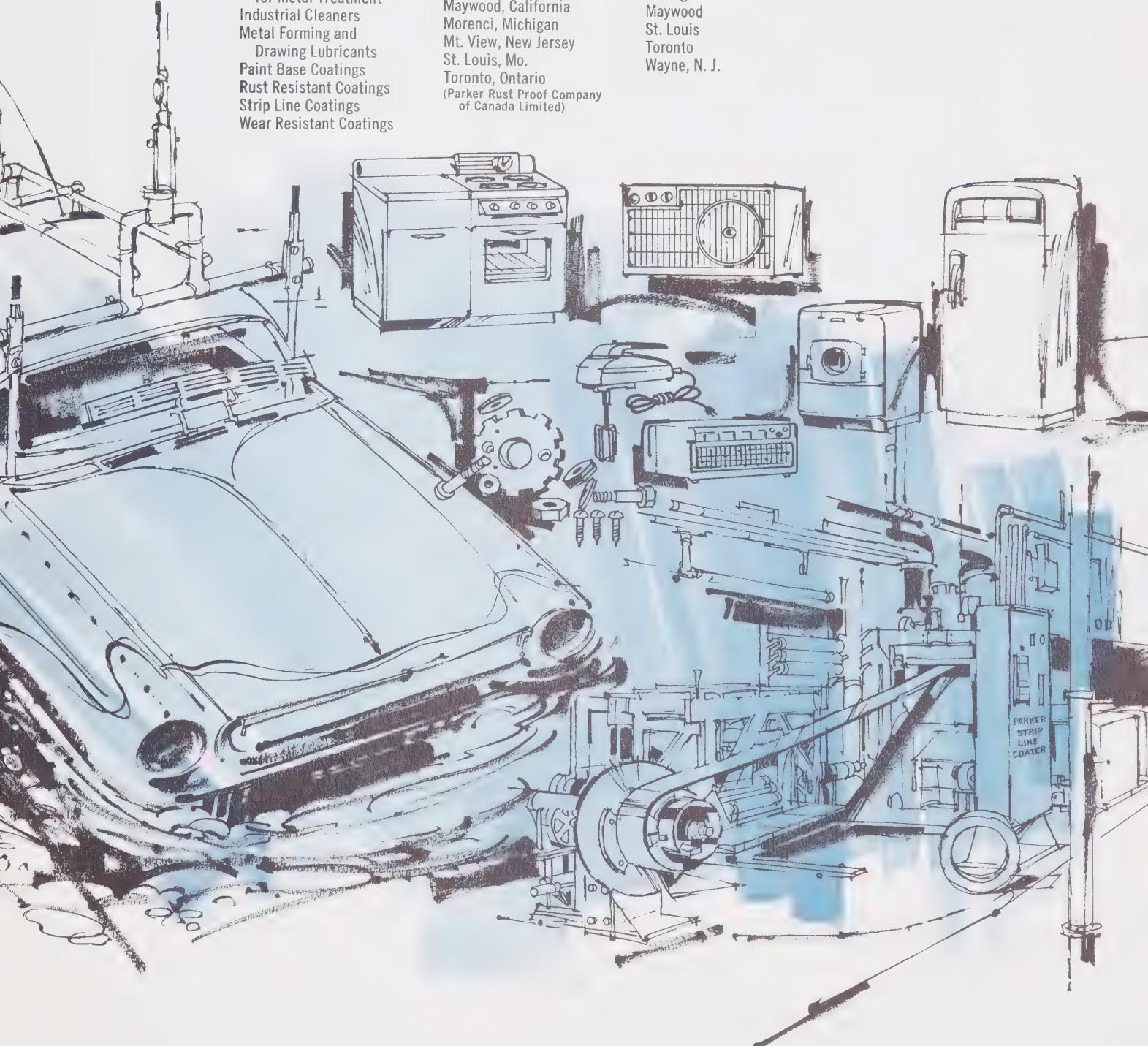
Conversion Coatings  
for Metal Treatment  
Industrial Cleaners  
Metal Forming and  
Drawing Lubricants  
Paint Base Coatings  
Rust Resistant Coatings  
Strip Line Coatings  
Wear Resistant Coatings

### Plants

Detroit, Michigan  
(Division Headquarters)  
Maywood, California  
Morenci, Michigan  
Mt. View, New Jersey  
St. Louis, Mo.  
Toronto, Ontario  
(Parker Rust Proof Company  
of Canada Limited)

### Sales Offices

Detroit  
Chicago  
Maywood  
St. Louis  
Toronto  
Wayne, N. J.





● Export Sales Agencies

□ Licensees

▲ Manufacturing Plants

## International Division

WILLIAM D. MORRISON, *General Manager*

The International Division accelerated the introduction of Hooker's processes and products into expanding overseas markets. 1963 showed increases in sales, royalties and earnings.

A reorganized and expanded export sales department increased its direct customer contacts and added new sales agents overseas. By emphasizing our more profitable product lines, profits from export sales showed substantial improvement even in the face of increasing European tariffs and price erosion.

Sales of Hooker Mexicana S. A. de C. V. increased more than 10% over 1962, necessitating an expansion in phosphoric acid plant capacity. In October a new activated carbon plant was completed which will provide diversification of Mexican activities and increase 1964 sales. These plants are strategically located to share in the rapid development of the Latin American Free Trade Area.

The Duranor and Plasticos companies in Argentina, both 50% owned by Hooker, were combined into Duranor, S.A.I.C. to effect savings in operation. The new phenol plant at Rio Tercero was started up successfully in May. With a full year's production of phenol and expanded activity of the

## International

### Product Areas

The Division offers for export sale essentially every product made by the domestic divisions. In addition, it has manufacturing plants in the following countries:

#### Mexico

Hooker Mexicana, S. A. de C. V.  
(Subsidiary), Lecheria

#### Products

Activated Carbon  
Industrial Phosphates  
Phosphoric Acid  
Soap and Detergent Chemicals

#### Argentina

Duranor S.A.I.C.  
(50% Owned), Rio Tercero and Buenos Aires

#### Products

Phenolic resins  
Phenolic Molding Compounds  
Urea Formaldehyde Resins  
Vinyl Emulsions

#### Australia

Parker Bonderite Pty. Limited  
(55% Owned), Melbourne

#### Products

All products of  
the Parker Rust  
Proof Division

#### Japan

Sumitomo — Durez K. K.  
(25% Owned), Tokyo

#### Products

Phenolic Resins

phenolic resin and molding compound plant at Buenos Aires, Duranor is expected to show improvement over the modest profit made in 1963. It is anticipated that the depressed economic situation will improve following the recent elections in Argentina.

On January 1, 1963, Hooker acquired a 55% interest in Parker Bonderite Pty. Limited in Australia. By June of 1963, this completely reorganized company, staffed with personnel trained in the field of metal treatment and conversion coatings, had increased its sales 50% over those for the previous fiscal period.

In November, the Japanese government validated a joint venture, Sumitomo Durez K.K., 25% owned by Hooker and 75% by Sumitomo Bakelite Company, Ltd., a leading Japanese resin company. Sumitomo Durez will manufacture industrial phenolic resins at the Mukojima Plant of Sumitomo Bakelite, using technology from both Durez and Sumitomo Bakelite. It is expected to become one of the leading producers in the Far East, providing a base for other Hooker resin activity in Japan, and 1964 sales should total several million dollars.

Having obtained and established active participation in the Japanese, Australian, Mexican and Argentine markets, Hooker now is actively pursuing the establishment of an ownership interest in suitable ventures in order to participate directly in the European markets.

Three major royalty contracts were validated by the Japanese government in 1963, one for Parker Division products with Nihon Parkerizing K.K., and two with Mitsui Chemical Industry Co., Ltd., for plants using the Hooker phenol and bisphenol-A processes. New agreements were concluded with Parker licensees in Europe: Metallgesellschaft A.G. in Germany; Societe Continentale Parker in France, and The Pyrene Company Limited in England. Hooker's diaphragm chlorine cells were licensed to Solvay & Cie in France and Celulosa Argentina S. A.

## Tropical Paint Company

FREDERICK J. KELLER, *General Manager*

The year for this subsidiary can best be described as one of reorganization and reorientation. The company has new general, technical, and sales management, all appointed within the year. An aggressive sales training program was begun in order to bolster our field sales organization.

The company looks forward to better technical service and to an improved product line broadened by the addition of urethane coatings and other specialty items. We expect profitable growth beginning in 1964.

## HEF, Inc.

CHARLES R. GERNER, *General Manager*

During 1963 our HEF plant operated at full capacity and the decision was made to undertake a major expansion at the Columbus, Mississippi site.

It is expected that 1964 will be a year of transition for HEF in the ammonium perchlorate business. The new production facility, expected to be on stream this spring, will improve our efficiency and provide greater flexibility in meeting demands for varying grades of this material. With its completion, HEF will become a major supplier to the space and missile programs not only in the expanding southeast but in other marketing areas as well.

## National Phosphate Corporation

As an integral part of our long-range planning in farm chemicals, the Company has agreed, subject to the receipt of a favorable tax ruling, to make an offer to the stockholders of National Phosphate Corporation to exchange 264,808 shares of Hooker common stock for about 90% of National's outstanding shares and options to acquire the remaining 10%.

To be operated as a subsidiary, National manufactures and sells ammonium phosphate fertilizers to the large and rapidly growing midwest market. Its manufacturing facilities, located on the Illinois River at Marseilles, Illinois, comprise a granulated diammonium phosphate plant with capacity in excess of 150,000 tons annually, two wet-process phosphoric acid plants, a sulfuric acid plant, and supporting storage units.

This acquisition will broaden our line of products for the farmer and afford future opportunities in phosphate chemicals.

## Organizational Changes

The year saw a number of significant changes in the Hooker organization.

In March, F. Leonard Bryant was elected Chairman of the Board, succeeding Thomas E. Moffitt, who retired from active service after a distinguished career with the Company. Mr. Moffitt continues as a member of the Board of Directors while Mr. Bryant retains his responsibility as Chief Executive Officer of the Corporation.

Thomas F. Willers, Executive Vice President, was elected Hooker's eighth President, succeeding Mr. Bryant.

A number of changes took place on the Board of Directors. R. Lindley Murray and Frank W. Dennis retired from the Board in March. Special mention should be made of their invaluable contribution to Hooker during their long and outstanding careers. At their retirement, they had completed 43 and 44 years of active service, respectively. Also, Charles C. Hornbostel, Vice President — Finance, was elected a Director at the same meeting.

In February, Frederick J. Keller was appointed General Manager of Tropical Paint Company, a wholly-owned subsidiary, with headquarters in Cleveland, Ohio.

In October, Edward B. Thompson was appointed General Manager of the Parker Rust Proof Division, succeeding Robert W. Englehart, who continues as a Vice President and Director.

In December, 1963, Douglas McL. More was appointed General Counsel of the Corporation, succeeding Ansley Wilcox 2nd in this capacity.

# Financial Review

## Sales and Earnings

Sales in 1963 were \$182,741,000, another new high for the Company. Net earnings in 1963 were \$15,865,000, also establishing a record both in total dollars and earnings per share. This was equal to \$1.88 per share after deducting the annual dividend requirement on the outstanding preferred stock. Comparable earnings in 1962 were \$1.79 per share.

Quarter Ending	Sales		Total Earnings		Earnings per Share	
	1963	1962 (000 Omitted)	1963	1962	1963	1962
February . . . . .	\$ 42,934	\$ 42,622	\$ 3,624	\$ 3,451	\$ .43	\$ .41
May . . . . .	48,299	47,541	4,395	4,140	.52	.49
August . . . . .	44,820	43,873	3,806	3,763	.45	.44
November . . . . .	46,688	45,140	4,040	3,712	.48	.45
Total. . . . .	\$182,741	\$179,176	\$15,865	\$15,066	\$1.88	\$1.79

Note: Hooker Mexicana S. A. de C. V. (100% owned foreign subsidiary) is included in the consolidated figures for 1963 for the first time and is also included in the 1962 figures for comparative purposes.

## Dividends

Regular quarterly dividends were paid on the \$4.25 cumulative preferred stock and the \$5.00 cumulative second preferred stock. Dividends paid on these issues of preferred stock amounted to \$434,000. Cash dividends totaling \$1.025 per share were paid on the common stock. The regular quarterly dividend was increased 10% in the last quarter, changing the rate from 25¢ per share to 27.5¢ per share. Total dividends paid on the common stock during the year amounted to \$8,419,000.

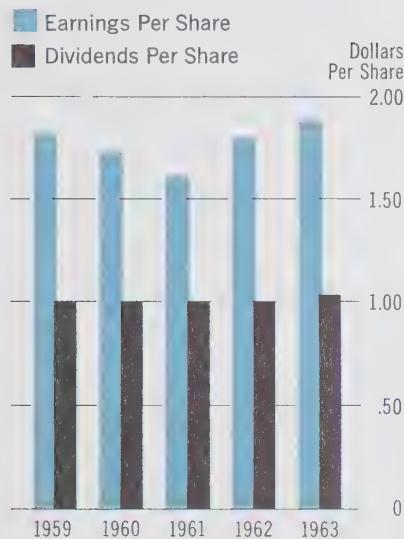
In addition, for the second consecutive year, the Board of Directors declared a 2% stock dividend to stockholders of record November 4, 1963, payable December 13, 1963.

## Working Capital

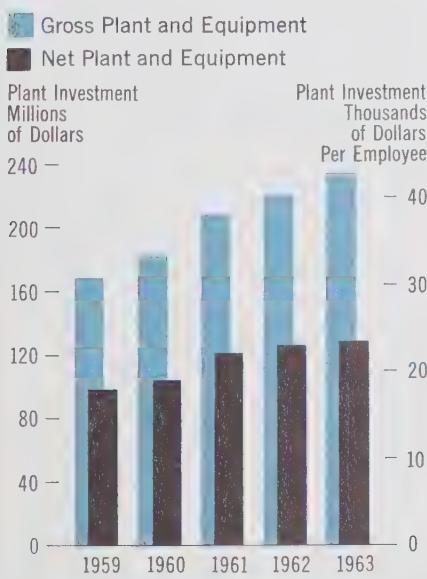
Working capital at the end of the year amounted to \$58,719,000, up \$4,779,000 from a year ago. Payments on long term debt during the year amounted to \$2,958,000. A similar reduction is reflected in the long term debt on the balance sheet, since no additional borrowings were required. The following summarizes the major changes in working capital.

Funds Available:		(000 Omitted)
Net income for year . . . . .		\$15,865
Charges against income not affecting working capital:		
Depreciation and amortization . . . . .	\$12,151	
Deferred income taxes . . . . .	4,040	16,191
Investment credit . . . . .		464
Proceeds from sale of capital stock . . . . .		467
		\$33,129
Applied as follows:		
Additions to plant and equipment . . . . .		15,145
Dividends on capital stock . . . . .		8,853
Reduction of long term debt . . . . .		2,958
Purchase of Treasury Stock . . . . .		727
Net increase in other assets . . . . .		667
		\$28,350
Increase in Working Capital . . . . .		\$ 4,779

## Earnings and Dividends Per Share



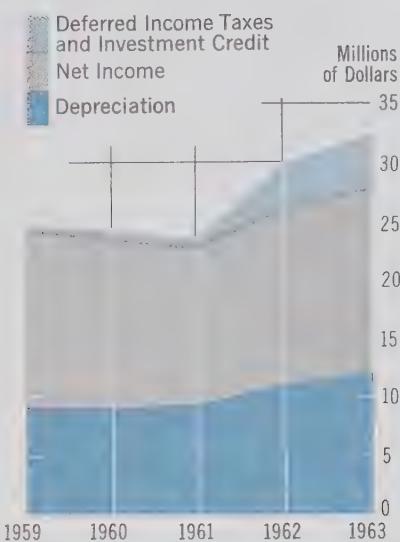
## Investment in Plant and Equipment



### Cash Flow

Total cash generated in 1963, consisting of net income, depreciation and amortization, deferred income taxes and investment credit amounted to \$32,662,000, or \$3.98 per share.

### Cash Flow



### Taxes

Taxes continue to rise and like labor costs continue to take a larger portion of our sales dollar. Whether measured as total dollars or on a per share basis, the schedule below indicates that this item is at an all time high.

	(000 Omitted)	
	1963	1962
Federal and Foreign Income Taxes . . . . .	\$15,604	\$14,955
State Franchise and Income Taxes . . . . .	921	1,025
Real and Personal Property Taxes . . . . .	1,916	1,773
Payroll Taxes . . . . .	1,462	1,198
Other . . . . .	245	132
	<hr/> <u>\$20,148</u>	<hr/> <u>\$19,083</u>
Per Share . . . . .	<hr/> <u>\$2.46</u>	<hr/> <u>\$2.32</u>

### Capital Expenditures

Expenditures for additions and improvements in plants and facilities for the year amounted to \$15,145,000. Depreciation for the year equaled \$12,151,000.

The major projects completed during the year or nearing completion by year end are covered under Review of Operations.

### Research & Development

Research and Development expenditures for the year amounted to \$6,252,000, as compared with \$5,300,000 a year ago.

### Capital Stock

During the year, 20,000 shares of our common stock were acquired and held as Treasury stock at the year end. The acquisition of this stock and subsequent purchases of additional stock were authorized by the Board of Directors, to be used for employee stock purchase programs, future acquisitions, and other corporate purposes.

### Incentive Compensation

The stockholders, at the last annual meeting, approved an incentive compensation program based upon an earnings formula. As a result of this program the Incentive Compensation Committee, consisting of outside directors with no right of participation, directed that the Company set aside from current years earnings the full amount allowable under the plan. As a result of this action, \$468,494 has been charged to income during the current year and reserved for future incentive awards. Awards for the current year were made in January, 1964.

**Consolidated Statement of Income** Year ended November 30, 1963 and 1962

	<b>1963</b>	<b>1962</b>
Net sales	\$182,740,881	\$179,176,000 <i>(Note 1)</i>
Cost of sales	115,132,204	115,626,979
Selling, general and administrative expenses	23,395,788	21,227,420
Depreciation and amortization	12,150,988	11,261,263
	150,678,980	148,115,662
Operating income	32,061,901	31,060,338
Other income:		
Royalties and license fees	973,080	720,461
Interest income	609,414	561,437
Miscellaneous	237,766	218,305
	1,820,260	1,500,203
	33,882,161	32,560,541
Interest and debt expense	2,413,302	2,539,310
Income before provision for income taxes	31,468,859	30,021,231
Provision for federal and foreign income taxes (including deferred taxes relating to accelerated depreciation: 1963—\$4,040,000; 1962—\$3,219,000)	15,604,000	14,955,000
Net income	\$ 15,864,859	\$ 15,066,231

*See accompanying notes.*

## Consolidated Balance Sheet November 30, 1963 and 1962

	1963	1962
<b>Assets</b>		
Current assets:		(Note 1)
Cash	\$ 11,415,841	\$ 10,508,992
U. S. Government and other marketable securities, at cost which approximates market	14,973,278	13,699,551
Accounts receivable	25,563,522	24,792,746
Inventories, at the lower of cost or market (cost being average or first-in, first-out):		
Finished products and materials in process	16,506,390	14,375,843
Raw materials and supplies	12,644,466	12,675,290
Prepaid expenses	1,655,173	1,791,604
Total current assets	82,758,670	77,844,026
Investments and other assets, at cost (Note 1)	2,890,141	2,424,342
Fixed assets, at cost:		
Land	2,836,234	2,780,076
Buildings	55,226,995	50,519,490
Machinery and equipment	165,902,308	162,712,928
Mineral rights	1,168,192	1,103,793
Construction in progress	8,329,365	3,861,522
	233,463,094	220,977,809
Less accumulated depreciation and amortization	105,155,376	94,347,242
	128,307,718	126,630,567
Goodwill and patents, at nominal value	1	1
Deferred charges	2,968,042	2,057,144
	<u><u>\$216,924,572</u></u>	<u><u>\$208,956,080</u></u>

See accompanying notes.

<b>Liabilities and Shareholders' Equity</b>	<b>1963</b>	<b>1962</b>
Current liabilities:		<i>(Note 1)</i>
Accounts payable and accrued liabilities . . . . .	\$ 13,111,357	\$ 12,908,810
Dividends payable on preferred stock . . . . .	108,506	108,506
Federal, state and other taxes . . . . .	7,939,727	8,006,755
Current maturities on long term debt . . . . .	2,880,000	2,880,000
Total current liabilities . . . . .	24,039,590	23,904,071
Long term debt (Note 2) . . . . .	52,108,419	55,066,672
Deferred income taxes . . . . .	13,893,080	9,853,080
Shareholders' equity:		
\$4.25 cumulative preferred stock, without par value:		
Authorized and issued—50,000 shares . . . . .	5,000,000	5,000,000
Cumulative preferred stock, without par value:		
Authorized: 250,000 shares issuable in series		
Issued: \$5 cumulative second preferred, series C:		
44,305 shares . . . . .	4,430,500	4,430,500
Common stock, \$5 par value (Notes 3 and 4):		
Authorized: 10,000,000 shares		
Issued: 1963—8,226,353 shares; 1962—8,047,672		
shares . . . . .	41,131,765	40,238,360
To be issued as 2% stock dividend: 1963—		
164,122 shares; 1962—160,932 shares . . . . .	820,610	804,660
Capital surplus paid-in . . . . .	9,762,053	4,460,298
Earned surplus (Note 2) . . . . .	66,465,955	65,198,439
Less cost of 20,000 shares of common stock in treasury	127,610,883	120,132,257
Total shareholders' equity . . . . .	727,400	—
	126,883,483	120,132,257
Lease commitments (Note 6)	\$216,924,572	\$208,956,080

*See accompanying notes.*

**Consolidated Statements of Surplus** *Year ended November 30, 1963*

Balances, November 30, 1962, as previously reported . . . . .  
Deduct deficit of foreign subsidiaries other than Canadian,  
not previously included in consolidation (Note 1) . . . . .

Balances, November 30, 1962, as restated . . . . .  
Add:

Net income . . . . .  
Excess of proceeds over par value of shares issued . . . . .  
Excess of market value over par value of shares to be  
issued for 2% stock dividend . . . . .

Deduct:

Cash dividends:  
Common stock — \$1.025 per share . . . . .  
Preferred stock . . . . .  
Stock dividend — 2% . . . . .

Balances, November 30, 1963 (Note 2) . . . . .

*See accompanying notes.*

<i>Earned surplus</i>	<i>Capital surplus paid-in</i>
\$65,585,072	\$4,460,298
386,633	
65,198,439	4,460,298
15,864,859	
81,063,298	4,923,660
	9,762,053
8,419,048	
434,025	
5,744,270	
14,597,343	
\$66,465,955	\$9,762,053

**Notes to Consolidated Financial Statements** *November 30, 1963*

**1. Principles of consolidation**

The consolidated financial statements include the accounts of all domestic, Canadian and, for the first time, other wholly-owned foreign subsidiaries. For comparative purposes, the financial statements for 1962 have been restated to include the foreign subsidiaries not previously included in consolidation. This had no material effect on consoli-

dated financial position and results of operations.

Investments and other assets include \$1,766,408 representing cost of investments in two non-wholly-owned foreign affiliates. No dividends were received from these affiliates in 1963 and, on the basis of unaudited statements, the Company's equity in the net assets of such affiliates approximated its investment cost.

**2. Long term debt**

Long term debt and current maturities thereof at November 30, 1963 follow:

	<i>Current</i>	<i>Long term</i>
5% convertible subordinated debentures, due 1984; annual sinking fund payments of \$1,000,000 commence 1969, \$1,500,000 in 1979 . . . . .	\$ —	\$24,444,800
3 3/4 % unsecured notes, due 1977; annual installments — \$800,000 . . . . .	800,000	13,600,000
3 5/8 % unsecured notes, due 1980; annual installments — \$400,000 . . . . .	400,000	8,000,000
4 1/4 % unsecured notes, due 1966; semi-annual installments — \$600,000 . . . . .	1,200,000	1,800,000
3 1/2 % sinking fund debentures, due 1974; annual installments — \$260,000 . . . . .	260,000	2,700,000
3 % sinking fund debentures, due 1967; annual installments — \$220,000 . . . . .	220,000	700,000
Non-interest bearing notes of subsidiary payable in installments based on operations of such subsidiary . . . . .	—	863,619
	\$2,880,000	\$52,108,419

At November 30, 1963, approximately \$34,000,000 of earned surplus was not available for the payment of cash dividends on common stock under the most restrictive of the provisions relating to such payments in the Company's indentures, loan agreements and certificate of incorporation.

### 3. Common Stock

At November 30, 1963, 569,411 shares of common stock were reserved for conversion of the 5% convertible subordinated debentures at \$42.93 per share.

Subject to certain specified conditions, the Company has agreed to exchange 264,808 shares of its common stock for approximately 90% of the common stock of National Phosphate Corporation and options to acquire the remaining 10% at different times by December 31, 1969.

### 4. Stock option and stock purchase plans

Details of options and elections at November 30, 1963 and transactions during the year follow:

	Shares	
	Option plan	Purchase plan
Outstanding, November 30, 1962	127,649	13,254
Changes during the year:		
Granted	15,330	—
Exercised and purchased (proceeds — \$466,840)	(13,313)	(4,436)
Expired or cancelled	(5,202)	(965)
	<u>(3,185)</u>	<u>(5,401)</u>
Outstanding, November 30, 1963, of which options for 71,360 shares were then exercisable	<u>124,464</u>	<u>7,853</u>

## Report of Certified Public Accountants

The Board of Directors and Shareholders  
Hooker Chemical Corporation

We have examined the accompanying consolidated balance sheet of Hooker Chemical Corporation and consolidated subsidiaries at November 30, 1963 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Hooker Chemical Corporation and consolidated subsidiaries at November 30, 1963 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.  
December 23, 1963

Options are exercisable generally in five equal annual installments and expire in 1966. Options outstanding for 124,464 shares were granted at prices ranging from \$22.84 to \$38.70 per share, not less than 95% of market price on dates of grant. At November 30, 1962 and 1963, 130,300 shares and 120,172 shares, respectively, were reserved for future grants under the stock option plan for officers and key employees.

The purchase price of elections outstanding at November 30, 1963 was \$31.00 per share, not less than 85% of market price on dates of election. Election to purchase may be cancelled by the participants prior to issuance of the shares. At November 30, 1962 and 1963, 264,852 shares and 265,817 shares, respectively, were reserved for future grants under the stock purchase plan for employees.

The foregoing information with respect to shares and share prices gives effect, to the extent applicable, to the 2% stock dividend payable December 13, 1963.

### 5. Retirement program

The Company has a retirement program under which benefits for eligible employees are being funded through insurance contracts and a trust established under the program. The annual cost of the program is approximately \$2,400,000, and at November 30, 1963, as determined on the basis of actuarial assumptions, the program is substantially fully funded with respect to all vested interests.

### 6. Lease commitments

Annual rentals under tank car leases approximate \$1,800,000. A lease agreement covering phosphate and other mineral properties, which expires in 1981, provides for minimum annual royalties of \$635,000 or royalties based on production, whichever is greater. The lease also requires the payment of real estate taxes and other expenses.

*Arthur Young & Company*

## Ten Year Comparative Financial Summary

	1963	1962	1961
<i>(Year Ended November 30)</i>			
Net sales . . . . .	\$182,741	\$179,176	\$162,086
Income before income taxes . . . . .	31,469	30,021	26,372
Federal and foreign income taxes . . . . .	15,604	14,955	12,864
Net income . . . . .	15,865	15,066	13,508
Net income — per share of common stock . . . . .	1.88	1.79*	1.63
Dividends per common share declared by Hooker:			
Cash . . . . .	1.025	1.00	1.00
Stock . . . . .	2%	2%	—
Income retained for future growth . . . . .	7,012	6,144	4,630
<i>(As of November 30)</i>			
Working capital . . . . .	\$ 58,719	\$ 53,940	\$ 51,110
Gross plant and equipment . . . . .	233,463	220,978	206,511
Less: accumulated depreciation and amortization . . . . .	105,155	94,347	86,116
Net plant . . . . .	128,308	126,631	120,395
Other assets . . . . .	5,858	4,481	6,415
Long term debt . . . . .	52,108	55,067	57,005
Deferred income taxes . . . . .	13,893	9,853	6,634
Shareholders' equity . . . . .	126,883	120,132	114,281
Common shares outstanding, adjusted to give effect to stock split, stock conversions and consolidations . . . . .	8,206,353	8,208,604*	8,023,208
Book value per share of common stock . . . . .	\$14.31	\$13.49	\$13.08
Capital expenditures . . . . .	15,145	15,812	26,666
Depreciation and amortization . . . . .	12,151	11,261	9,253
Number of shareholders (common) . . . . .	14,550	15,434	17,529
Number of employees . . . . .	5,517	5,437	5,324

\* Reflects the 2% stock dividend declared October, 1962 and paid December, 1962.

Note: Statement of Income and Balance Sheet items, expressed above in thousands of dollars, combine for all years the applicable information for companies consolidated into the Corporation during 1955, 1956, 1958 and 1962. The operations of Hooker Mexicana S.A. de C.V. and other wholly-owned Mexican subsidiaries are included for the first time, but only for 1962 and 1963. The exclusion of these subsidiaries for years prior to 1962 has no material effect on the information shown for those years.

1960	1959	1958	1957	1956	1955	1954
\$162,936	\$162,560	\$136,046	\$140,593	\$132,822	\$125,146	\$103,210
28,701	30,536	22,462	25,332	28,042	27,581	21,334
14,296	15,374	10,724	12,383	13,742	13,910	11,223
14,405	15,162	11,738	12,949	14,300	13,671	10,111
1.75	1.85	1.42	1.58	1.75	1.67	1.17
1.00	1.00	1.00	1.00	1.00	.95	.70
—	—	—	—	—	—	—
5,550	6,333	3,568	4,987	5,512	6,284	3,750
\$ 65,039	\$ 67,084	\$ 38,511	\$ 35,485	\$ 35,539	\$ 35,669	\$ 28,622
181,210	168,670	162,556	155,993	140,509	122,971	113,318
77,940	71,165	62,894	56,015	49,664	43,334	37,911
103,270	97,505	99,662	99,978	90,845	79,637	75,407
5,852	5,403	2,275	2,322	2,505	2,265	2,495
59,685	62,165	40,500	42,395	39,906	36,040	31,630
5,763	4,894	4,274	3,290	1,943	1,091	436
108,713	102,933	95,674	92,100	87,040	80,440	74,458
7,993,355	7,981,962	7,949,873	7,947,559	7,944,998	7,942,969	7,942,969
\$12.43	\$11.73	\$10.86	\$10.42	\$9.79	\$8.96	\$7.06
15,516	7,270	8,225	17,125	19,083	11,329	17,401
9,092	9,108	8,359	7,865	7,365	6,764	5,909
18,375	18,151	16,686	16,085	14,269	13,096	11,955
5,428	5,284	5,023	5,285	5,452	5,198	4,787



Annual Report 1963